

The Marketing Mix

After the target market is defined, marketers shape a basic product into a total *product (or service) concept*, which is a consumer's perception of a product or service as a bundle of utilitarian and symbolic values that satisfy functional, social, psychological, and other wants and needs.

The Marketing Mix uses strategic options to enhance the product/service concept.

Product – The most important element of the marketing mix. It includes the way the product is designed and classified, positioned, branded, and packaged.

Price – The amount charged for the good or service, including deals, discounts, terms, warranties, etc. It is affected by market demand, cost of production and distribution, competition, and corporate objectives.

Place (or Distribution) -- Includes direct and indirect distribution. The method of distribution must be consistent with brand's image.

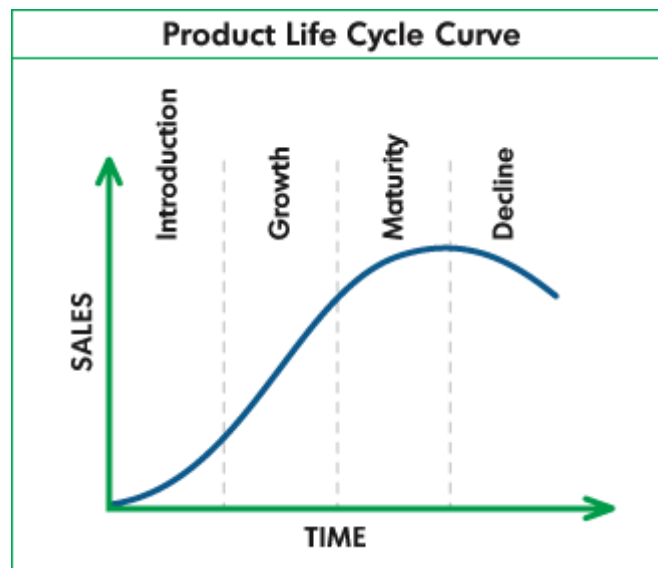
Promotion (or Communication) -- Product, price, and place must be determined before planning marketing communications. Promotion includes all marketing-related communications between a seller and a buyer.

The Product Element: Product Life Cycle

Growth Stage -- Characterized by rapid market expansion as more customers, stimulated by advertising and word-of-mouth, make purchases.

Maturity Stage – The marketplace becomes saturated with competing products and the number of new customers decreases, causing sales to reach a plateau.

Decline Stage -- Products become obsolete due to new technology or changing customer tastes. Companies may cease all promotion and phase products out quickly.



The Price Element

Market Demand -- If supply remains constant and demand increases, prices tend to increase. If demand drops below available supply, prices tend to decrease. Changes in market demand may affect advertising messages in a major way.

Production and Distribution Costs -- As costs increase, product price increases must be passed on to the consumer. Common advertising strategy is to tout/hype materials used to help justify the price.

Competition -- Consumer's more concerned with product's perceived price relative to competitors, rather than a product's actual price. Advertisers must maintain the value perception during periods of intense price competition.

Corporate Objectives and Strategies -- When introducing new products, companies often set a high price initially to recover development and startup costs. Image advertising may be used to justify a higher price. As products enter their maturity stage, competitive advertising increases and prices tend to drop.

Variable Influences -- Economic conditions, consumer income and tastes, government regulations, marketing costs, and other factors influence prices and advertising.

The Place Element

The place element must be consistent with brand's image. Companies use two basic methods of distribution: direct or indirect.

Direct Distribution, such as Avon and insurance companies, occurs when companies sell directly to end users or consumers, without the use of wholesalers or retailers. The advertising burden is carried entirely by the manufacturer. Network (or multilevel) marketing, such as Amway, occurs when individuals act as independent distributors for a manufacturer or private-label marketer. It uses no media advertising, only word-of-mouth. Companies provide attractive product packaging, catalogs, brochures, and other sales material.

Indirect Distribution includes a network of resellers, including wholesalers, retailers, manufacturers' representatives, brokers, jobbers, and distributors, who make products available to customers conveniently and economically.

- *Intensive distribution* makes products available to consumers at every possible location so that consumers can buy with a minimum of effort.
- *Selective distribution* limits product distribution to select outlets in order to reduce distribution and promotion costs.

- *Exclusive distribution* limits the number of wholesalers and retailers who can sell a product in order to gain a prestige image, maintain premium prices, or protect other dealers in a geographic area.

The Promotion Element

Companies can plan marketing communications, including advertising, once they determine product, price, and place. It includes all marketing-related communications between the seller and the buyer.

Communication Mix

- Personal communication includes all person-to-person contact with customers
- Nonpersonal communication activities use mediums, such as advertising, direct marketing, some public relations activities, collateral materials, and sales promotion
- Elements are blended into an *integrated marketing communications program*

Personal Communication Activities

Personal Selling -- Important in business-to-business (B2B) marketing. It establishes face-to-face situations in which the marketer can learn firsthand about customer wants and needs. Customers find it harder to say “no” in face-to-face sales.

Nonpersonal Communication Activities

Advertising -- Mass or nonpersonal selling. Its purpose is to inform, persuade, and remind customers about particular products and services. Important factors for advertising success include:

- High primary demand trend
- Chance for significant product differentiation
- Hidden qualities highly important to customers
- Opportunity to use strong emotional appeals
- Substantial sums available to support advertising

Direct Marketing -- Growing rapidly as companies discover the benefits of control, cost efficiency, and accountability. It includes telemarketing, which increases